

# WORK OPPORTUNITY TAX CREDIT Information Sheet

**Introduction** — The Small Business and Work Opportunity Act of 2007 (P.L. 110-28) extends the Work Opportunity Tax Credit (WOTC) to August 31, 2011. The WOTC has two purposes:

- To promote the hiring of individuals who qualify as a member of a target group.
- To provide a federal tax credit to employers who hire these individuals.

**Target Groups that Qualify for the WOTC** — Individuals hired from the following nine target groups may qualify an employer for the WOTC:

- Qualified recipients of Temporary Assistance to Needy Families (TANF).
- Qualified veterans receiving Food Stamps or a disabled veteran with a 10 percent or higher rating who:
  - is hired within one year of discharge date.OR
  - has been unemployed six months or more, whether or not consecutive, during the one year period prior to their hire date.
- Ex-felons hired no later than one year after conviction or release from prison.
- Designated Community Resident – ages 18 through 39 who reside in an Empowerment Zone, Renewal Community, or Rural Renewal County.
- Vocational rehabilitation referrals, including Ticket Holders with an individual work plan developed and implemented by an Employment Network.
- Qualified summer youth ages 16 through 17 who reside in an Empowerment Zone, Enterprise Community, or Rural Renewal County.
- Qualified Food Stamp recipients ages 18 through 39 on the hiring date.
- Qualified recipients of Supplemental Security Income (SSI).
- Long-term family assistance recipients.

**Federal Tax Credit Amounts and Retention Periods for Target Groups A through H** — The employee must be retained 400 hours for a 40 percent tax credit on qualified first year wages up to \$6,000. For the employee that is retained at least 120 hours but less than 400 hours, a 25 percent tax credit is available on qualified first year wages up to \$6,000. For qualified Summer Youth, target group F, the tax credit is based on qualified first year wages up to \$3,000. The Disabled Veteran target group B tax credit is based on qualified first year wages up to \$12,000.

**Federal Tax Credit Amounts and Retention Period for Target Group I** — Long-term family assistance, target group I, provides for a tax credit of 40 percent on qualified first year wages up to \$10,000 and 50 percent on the second year of qualified wages up to \$10,000. For the employee that is retained at least 120 hours but less than 400 hours, a 25 percent tax credit is available on qualified first year wages up to \$10,000.

Employers may claim the Work Opportunity Tax Credit for one or two years, depending on the tax credit. Any unused portion may be carried back one year and/or forward on future tax returns for 20 years or until all the credit is used, whichever comes first.

**How the WOTC Program Works for Employers** — Employers may:

- Pre-screen their own applicants to determine if they are members of one of the target groups.
- Place a job listing with EDD requesting that WOTC eligible job seekers be referred for the job opening.

To determine if an applicant is a member of one or more of the nine target groups, complete and sign the Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credit, Form 8850. In addition, you must complete and sign the Individual Characteristics Form, ETA 9061. The Form 8850 with the ETA 9061 attached will serve as a request for WOTC Certification and must be submitted to the EDD no later than the 28<sup>th</sup> day after the applicant starts work. Mail forms to:

WOTC Center, 2901 50<sup>th</sup> Street, Sacramento, CA 95817

If an employer wishes to authorize an intermediary, such as an accountancy firm or a management consultant, to act on their behalf in the WOTC certification process, they must provide the EDD with a notarized Power of Attorney. The Internal Revenue Service Form 2848 or the EDD Form DE 48 may be used for this purpose.

**How the WOTC Program Works for the Job Seeker** — A Job seeker may:

- Let prospective employers know he/she is WOTC eligible at the time of the interview.
- Go to the nearest EDD Job Service office to enroll for services.

**Forms and information** are available by contacting a local One-Stop Career Center or visiting EDD's Web site at: [www.edd.ca.gov/jobs\\_and\\_Training/Work\\_Opportunity\\_Tax\\_Credit.htm](http://www.edd.ca.gov/jobs_and_Training/Work_Opportunity_Tax_Credit.htm). For more information, contact the California WOTC Center, toll-free at (866) 593-0173.

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids and/or alternate formats need to be made by calling 866-593-0173 (voice). TTY users, please call the California Relay Service at 711.